

City of Detroit

CITY COUNCIL

DAVID D. WHITAKER
Director
(313) 224-4946

DIVISION OF RESEARCH & ANALYSIS
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 216
Detroit, Michigan 48226
(313) 224-4946
FAX: (313) 224-0368

PEGGY ROBINSON
Deputy Director
(313) 224-4946

TO: The Honorable Detroit City Council

FROM: David Whitaker *DW*
Nkrumah Johnson-Wynn *NJW*
Sherée Edwards *SE*

WITH CONCURRENCE FROM:

John E. Johnson
Robert Walter
Lorray Brown
Marilyn Mullane

DATE: April 11, 2006

**RE: OUTLINE OF THE WATER AFFORDABILITY PROGRAM FOR
LOW-INCOME DETROIT RESIDENTS**

Pursuant to this Honorable Body's request, lawyers from the Law Department and the Research and Analysis Division met with lawyers from Michigan Legal Services and the Michigan Poverty Law Program to discuss and develop a water affordability program for low-income Detroit residents. The parties have come to an agreement and prepared an outline of the program for your review (see attached).

We will continue to work cooperatively to develop a program that is acceptable to all parties, and will present the program to this Honorable Body once the design is complete.

Attachment

**OUTLINE OF THE WATER AFFORDABILITY PROGRAM
FOR LOW-INCOME DETROIT RESIDENTS 4/11/06**

1. The Detroit Water and Sewerage Department (DWSD) will provide annual funding for a water affordability program for income-eligible Detroit residents, funded solely by customers in Detroit. The initial annual funding level will be \$5.0 million for Fiscal Year 2006-07, which begins July 1, 2006. Deposits will be made into the program on a regular basis, and will begin once DWSD receives a legal opinion from the Law Department that the funds identified in subsection 1.a below can be used for the purposes envisioned herein. It is anticipated that it will take some time for program participation and funding to "ramp-up".
 - a. Additional funding levels for future years will be evaluated as part of the annual DWSD financial planning process and will be based on eligible miscellaneous revenue sources such as late fees, and savings attributable to the affordability program. While future additional funding levels cannot be specified at this time, DWSD will establish a minimum annual funding level of \$5 million.
 - b. It is anticipated that the effectiveness of the water affordability program will be evaluated on a regular basis. Whether such evaluations will be performed by the City of Detroit or a third party is yet to be determined. The Michigan Welfare Rights Organization (MWRO) prefers that the evaluations be performed by a third party.

2. In addition to the funding level identified above, DWSD will implement during FY 2006-07 a voluntary checkoff contribution on water bills for all retail City of Detroit customer classes to help fund the water affordability program. The checkoff program will provide for the following initial checkoff amounts:
 - a. DWSD proposed a \$0.50 per month checkoff for residential customers; The MWRO prefers a \$1 per month checkoff;
 - b. A \$3 per month checkoff for commercial and all other non-residential, non-industrial customers;
 - c. A \$20 per month checkoff for industrial customers;
 - d. The checkoff amounts will be reviewed on an annual basis to determine whether the amounts for one or more customer types should be adjusted.

NOTE: All parties would prefer an "opt-out" program. Whether the checkoff program is "opt-in" or "opt-out" will depend on a legal opinion from the Law Department. DWSD will implement the voluntary checkoff program as soon as the Law Department opinion is received and the billing system can be modified to implement the program. DWSD has a target date of September 1, 2006 for implementation of the checkoff program. The MWRO wants a target date of July 1, 2006.

3. DWSD will maintain all monies associated with the affordability program (including funds generated by the voluntary checkoff program) in a separate fund. The monies in this separate interest bearing account will be used solely for the water affordability program. A third party

administrator will be designated to oversee and to direct use of the monies in the affordability fund. The third party administrator will be designated by DWSD. In making this designation, DWSD will utilize input from the lawyers on behalf of the MWRO after receipt of a recommendation by Roger Colton. NOTE: The Corporation Counsel, in consultation with the City's bond counsel, will determine whether the City or the third party administrator should serve as custodian of the funds.

4. The monies described above will be used only to fund a water affordability program for income-eligible DWSD customers.
 - a. Roger Colton will develop the program design within the constraints of anticipated funding levels, in consultation with DWSD staff, the third party administrator, and the lawyers on behalf of the MWRO. The program design will include an affordability component directed toward current bills, and an arrearage management component directed toward pre-program arrears. If found by DWSD, the third party administrator, and lawyers on behalf of MWRO to be feasible and appropriate, a water conservation or conservation education component will also be an allowed use of funds.
 - b. Mr. Colton will submit to DWSD a proposal (including an estimated cost) for developing the program design. If accepted, Mr. Colton's fees for developing the program will be paid from program funds.
 - c. It is anticipated that the affordability component for current water and sewer bills will be established such that the third party administrator will make periodic electronic funds transfer (EFT) payments to DWSD on a fixed credit basis on behalf of program participants.
 - d. It is anticipated that pre-program arrears will be made subject to an agreement providing for their retirement over time through program credits, customer payments, and state assistance. Customers making reasonable progress toward the retirement of their pre-program arrears through such an agreement will not be subject to the disconnection of service for nonpayment of their outstanding pre-program arrears.
 - e. It is anticipated that the income eligibility, level of program participation, and level of fixed credits will be determined based on the anticipated program funding level.
5. Lawyers from the City of Detroit, in collaboration with lawyers on behalf of MWRO, will explore methods for obtaining funding from the State Emergency Relief program on behalf of program participants to help offset the pre-program arrears of program participants.